



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 30, 2001

### **H.R. 309** **Guam Foreign Investment Equity Act**

*As ordered reported by the House Committee on Resources on March 28, 2001*

H.R. 309 would amend the Organic Act of Guam to require the government of Guam to tax the earnings of foreign investors at the same rates as those applied by the 50 states under U.S. tax treaties with foreign countries. Because the bill would not affect federal tax rates, CBO estimates that implementing H.R. 309 would have no impact on the federal budget. Because the bill would not affect direct spending or governmental receipts, pay-as-you-go procedures would not apply.

H.R. 309 contains no private-sector or intergovernmental mandates as defined in the Unfunded Mandates Reform Act. The bill would change the tax rate applied to income earned by foreign (i.e., non-U.S. and non-Guamanian) investors under the Guam territorial income tax. This change would allow income earned in Guam by foreign investors to be taxed at the same rates as would apply to such income earned in the 50 states—rates established by tax treaties with foreign countries. In the short term, this change would result in decreased revenues from the Guam territorial income tax. In the long term, however, those losses could be offset to the extent that increased foreign investment in the territory generates increased tax revenues.

Enactment of this legislation would have no significant impact on the budgets of other state, local, or tribal governments.

The CBO staff contacts are John R. Righter (for federal costs), and Marjorie Miller (for the state and local impact). This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.